THE HYDERABAD STATE AID TO (SMALL SCALE AND COTTAGE) INDUSTRIES ACT, 1956.

No. VII of 1956.

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No. VII of 1956.

(Received the assent of the Rajpramukh on 3rd April, 1956; assent first published in the Hyderabad Gazette Extraordinary on the 4th April, 1956).

An Act to regulate State Aid to Small-Scale and Cottage Industries. Preamble.

Whereas it is expedient to regulate the giving of aid by the Government to Small-Scale and Cottage Industries in the State of Hyderabad;

Be it enacted in the Seventh Year of Our Republic as follows:

Short title, extent and commencement.

1. (1) This Act may be called the Hyderabad State Aid to (Small-Scale and Cottage) Industries Act, 1956.

(2) It shall extend to the whole of the State of Hyderabad.

(3) It shall come into force on the date of its publication in the official Gazette.

Definitions.

2. In this Act unless there is anything repugnant to the subject or context,—

(a) 'Board' means the Board constituted under section 4.

(b) 'cottage industry' means any industry carried on by any family which forms the normal occupation whether whole-time or part-time, of any family, with the help of any or all of its members and in which such family invest a sum not exceeding Rupees Ten Thousand.

(c) 'prescribed' means prescribed by rules made under this Act.

(d) 'small-scale industry' means any industry carried on by the aid of power and employing not exceeding fifty persons, or carried on without the aid of power but employing more than fifty and less than hundred persons and in which a sum exceeding Rupees Ten Thousand but below Rupees Five Lakhs is invested.

(e) 'State Government' means the Government of the State of Hyderabad.

Director of Industries.

3. The State Government may appoint any officer or other person to perform all or any of the functions of the Director of Industries in the Government of Hyderabad under this Act.

Board of Industries.

4. (1) (a) There shall be constituted a Board to be called the Board of Industries consisting of ten members including the ex-officio and the Minister-in-charge of Commerce and Industries Department who shall be the ex-officio Chairman.

(b) Five of the members shall be nominated by the State Government out of whom two shall be non-officials one representing the Small-Scale Industries and the other, the Cottage Industries.

(c) One of the members shall be elected by the members for the time being of the Hyderabad (Deccan) Chamber of Commerce; one by the Members for the time being of the Hyderabad State Financial Corporation; and three by the members of the Hyderabad Legislative Assembly. A return of the name of every person so elected shall be made to the State Government by the Chairman of the Hyderabad (Deccan) Chamber of Commerce, the Hyderabad State Financial Corporation and by the Secretary to the Hyderabad Legislative Assembly, respectively, and such return shall be published in the official Gazette.

(2) The names of the members appointed by the State Government by nomination shall be published by a notification in the official Gazette.

(3) The Board shall assist the State Government in dealing with applications for the grant of the State aid under this Act.

(4) No member shall vote on or take part in the discussion of any question coming up for consideration at a meeting of the Board if the question is one in which he has any direct or indirect pecuniary interest by himself or his partner or in which he is interested professionally on behalf of a client or as agent for any person other than the State Government or a local authority.

(5) The term of office of the members of the Board shall be two years.

No aid except in accordance with the provisions of Act.

5. (1) No aid shall be given by the State Government to any small-scale industry or cottage industry except in accordance with the provisions of this Act.

(2) Nothing contained in sub-section (1) shall prevent the Industrial Trust Fund from giving aid to Small-Scale Industry and Cottage Industry.

Industries to be aided.

6. (1) The small-scale industry or cottage industry to which aid may be given under this Act, shall be such as has an important bearing on the economic development of the country and shall be—

(a) new or nascent industry, or

(b) industry to be newly introduced into areas where such industry is undeveloped ; or

(c) old or established industry :

Provided that aid shall not be given to any industry specified under clause (c) unless the State Government is satisfied that special reasons exist for giving such aid.

(2) No such aid shall be given to any joint stock company unless the same is registered in India on a rupee capital :

Provided further that every receipt of aid under this Act shall make such provision for the training of apprentices as the State Government may, from time to time, prescribe.

(3) The decision of the State Government as to whether the conditions of this section are fulfilled shall be final and shall not be called in question in any Court of Law.

Method of giving State Aid.

7. Subject to the provisions of this Act and of the rules made thereunder, the State Government shall have power to grant aid to any small-scale industry or cottage industry in one or more of the following ways :—

(a) by granting a loan for one or more of the following purposes :

(i) purchase of land and erection of buildings ;

(ii) purchase of tools, and appliances ;

(iii) purchase of raw materials ;

(iv) working capital or other incidentals necessary for the purpose of carrying on the industry ;

(b) by guaranteeing a cash credit, overdraft or fixed advance with a bank ;

(c) by paying a subsidy, in the case of a cottage industry for any purpose, and in the case of small-scale industry for the conduct of research or the purchase of machinery ;

(d) by subscribing for shares or debentures ;

(e) for guaranteeing a minimum return on part of the capital of a joint stock company :

(f) by making a grant on favourable terms of land, raw material, firewood or water, which is the property of the State ;

(g) by supplying at concessional rates electric energy from a source which is the property of the State :

(h) by supplying equipment on hire-purchase provided the party requiring the equipment makes an initial payment of 20 per cent of the cost thereof.

Application for State aid and procedure in dealing with applications.

8. (1) Any person desiring to obtain a loan or other aid for any small-scale industry or cottage industry shall make his application to the Director of Industries in such form and shall furnish such information as may be prescribed.

(2) Every application for aid of a sum exceeding Rupees Three Thousand shall be placed before the Board for advice.

(3) No aid shall be granted under this Act, if the Board by a resolution supported by not less than six members at a meeting advises the rejection of the application.

Delegation of powers.

9. (1) The State Government may delegate to the Director of Industries its powers to grant aid under section 7 up to Rupees Three Thousand in any single case.

(2) The decision of the Director of Industries, to grant or not to grant aid in any case under sub-section (1), shall not be called in question in any Court of Law.

(3) The powers conferred on the State Government by section 12 may also be exercised by the Director of Industries in cases where aid is granted by the Director under sub-section (1).

Aid how granted and secured.

10. No aid under this Act shall be given to any small-scale industry or cottage industry except to the extent and in the manner specified hereunder :

(a) Rupees One Thousand on the personal security of the person applying for aid.

(b) Over Rupees One Thousand but up to Rupees Five Thousand on the personal security of the person applying for aid with two sureties provided thirty per cent of the sum advanced is used as capital expendi-

ture over which the State Government shall have the first charge.

(c) Over Rupees Five Thousand and up to Rupees Twenty-five Thousand in the security of the immovable property of the person applying for aid to the extent of seventy-five per cent on the market value thereof :

Provided that half of the loan is used as capital expenditure over which the State Government shall have the first charge.

Inspection and returns.

11. In any case in which a loan has been applied for under this Act, the applicant, and at any time during the currency of a loan that had been granted under it, the grantee, shall be bound—

(a) to comply with any general or special order of the State Government relative to the inspection of the premises, buildings, or plant or stock in hand of the industrial business or enterprise ;

(b) to permit the inspection of all accounts relative to the industrial business or enterprise ;

(c) to furnish full returns of all products manufactured or sold both as regards description and quantity ;

(d) to maintain such special accounts or to furnish such statements as the State Government may from time to time require ;

(e) to submit the accounts of the industrial business or enterprise to such audit as the State Government may prescribe.

Control of business assisted.

12. In any case in which a loan or loans is or are granted under this Act amounting to Rupees Ten Thousand or upwards, the State Government shall and in any other case may, take power to ensure such control over the industry as shall suffice in its opinion to safeguard its interest.

Repayment of loans.

13. (1) Every loan granted under this Act shall be made repayable by instalments within such period from the date of the actual advance of the loan, or when the loan is advanced in instalments from the date of payment of the last instalment, as may be fixed by the order granting the loan.

(2) The period fixed as aforesaid shall not exceed five years unless the State Government shall, by general or special order, extend the same.

Exemption of small industries.

14. Save as otherwise may be prescribed nothing in sections 11 and 12 shall apply to any cottage industry with a capital outlay not exceeding Two Thousand Rupees.

Subscriptions for shares or debentures or guarantee of a minimum return on capital.

15. The condition of subscription for shares and debentures by the State Government or the guarantee of a minimum return on the capital of any small-scale industry or cottage industry by it shall be that small-scale industry or cottage industry shall be subject to the conditions of section 11 in respect of inspections and returns as well as of the provisions of section 12 in respect of Government control :

Provided that—

(a) for all shares subscribed by the State Government there must be taken up and fully paid for not less than such number of shares as may be fixed by special or general order of the State Government ;

(b) for all capital on which a return is guaranteed by the State Government there shall be paid up not less than an equal amount of capital which carries no guarantee.

Subsidy by the State Government.

16. The condition of a grant of subsidy or of any payment under guarantee of a minimum return on the paid-up capital or of the grant of a land belonging to the State Government, raw material, firewood or water on favourable terms or for the supply from a State Government source of electric energy at concessional rates shall ordinarily be that an amount equal to the sum paid or to the value of the grant or concession as fixed at the time when it is made shall be repaid to the State Government at the close of a fixed term of years if within that term the small-scale industry or cottage industry shall be shown to be paying interest or a dividend upon the capital invested in excess of such rate as the State Government may fix.

No subsidy to an industry other than a cottage industry exceed 40 per cent of the cost of the research or of the cost of the machinery as the case may be.

Disposal of profits when condition of State aid is not fulfilled.

17. No recipient of aid shall pay any dividend or distribute or take any profits in excess of such percentage rate upon the amount of the capital of the small-scale industry or cottage industry as the State Government may fix from time to time until the conditions on

which the aid has been granted are fulfilled. The balance of the profits, after setting aside proper amounts for depreciation or absolescence of plant and buildings, and for the payment of interest on debenture of loans, shall be carried to a reserve fund to be utilised in such manner as the State Government may approve.

Method of recovery of moneys due.

18. (1) All moneys payable under this Act, including any interest chargeable thereon and costs, if any, incurred, if not paid when due, may be recovered from the person aided and his surety, if any, under the law for the time being in force as if they were arrears of land revenue.

(2) When any sum due as aforesaid is paid by the surety or is recovered from him or out of his property under sub-section (1) the Collector shall, on the application of the surety, so far as possible recover the same from th person aided and pay the same to the surety.

Power of the State Government to terminate aid on account of fault.

19. If the State Government decides for reasons to be recorded in writing to terminate aid in respect of a small-scale industry or cottage industry on any of the following grounds:

(i) that any portion of the aid given has been misapplied for;

(ii) that there has been a breach by the person in receipt of the aid of the provisions of this Act, or of any rules made thereunder or of any condition of the grant; or

(iii) that the application on which the aid has been granted contained, or was accompanied by, any material statement by the applicant which he knew to be false or any intentional concealment by him of any material fact, which in the opinion of the State Government, it was his duty to disclose, or that any such false statment or concealment was intentionally made in any inquiry under this Act, by or with connivance of the applicant or in any return under this Act, or in reply to any requisition for information under this Act; or

(iv) that the small-scale industry or cottage industry is being managed in such a manner as to endanger the repayment of the value of the aid granted thereto repayable under this Act; the State Government may make an order that the aid be terminated and notwithstanding anything contained elsewhere in

this Act, or in any other enactment, may proceed to recover from the grant as arrears of land revenue,

(a) the whole amount of any loan outstanding together with such interest as may be due thereon, or

(b) in cases where the aid is given otherwise than by loan, the money value of the grant as fixed at the time when it was made, together with interest at a rate not exceeding twelve and half per cent from the date of the grant till the date of realisation, and

(c) in the cases mentioned in sub-section (a) or sub-section (b) the cost of recovery, and if the State Government so directs, the cost of an inquiry made in connection therewith, and such order shall be final

Fees.

20. The State Government may charge in respect of applications, inquiries, inspections and audit by whomsoever made under this Act, such fees, if any, as may be prescribed.

State Aid granted prior to commencement of Act.

21. Any such aid as is referred to in section 7 given by the State Government to any industry prior to the commencement of this Act, shall, on the issue of an order to that effect by the State Government in the official Gazette be deemed to be aid given under this Act, and on the issue of such order all the provisions of this Act, and of any rules made thereunder shall apply to such aid and such industry as if such aid was given to such industry under this Act.

Powers of State Government as regards starting or conducting industries and giving aid of certain kinds.

22. Nothing in this Act, shall be held to debar the State Government—

(a) from starting or conducting any small-scale industry or cottage industry;

(b) from assisting a small-scale industry or cottage industry by agreements to purchase on business terms, the whole or a portion of the products of the same;

(c) from assisting a small-scale industry or cottage industry by giving gratis or on favourable terms, the services of Government officials or experts either in the capacity of advisers or for a limited period for starting or conducting such business or enterprise;

(d) from assisting a small-scale industry or cottage industry in connection with industrial education or the training of apprentices;

(e) from assisting or aiding a small-scale industry or cottage industry on such terms and conditions and in such manner as may be determined by the State Government.

Power to make rules.

23. (1) The State Government may make rules to carry out all or any of the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, it may make rules regulating all or any of the following matters :—

(i) the classes of small-scale industry or cottage industry to which and the purposes for which aid may be given ;

(ii) the quorum at the Board's meetings, the method of arriving at its decision, the appointment of a Secretary and staff, the allowances payable to its members and all other matters relative to the conduct of its business ;

(iii) the manner of making applications for State aid and the information to be given in such applications, provided that no such rules shall require any applicant or grantee of aid to divulge any information relating to the technical details of any process of any patent owned by him ;

(iv) the manner of conducting inquiries and and the matters to be specially inquired into in dealing with applications for the State aid and the powers to be exercised by the Director of Industries conducting such inquiries ;

(v) the mode of ascertaining the value of the assets of a small-scale industry or cottage industry or of any property offered as collateral security for a loan ;

(vi) the inspection of the premises, buildings, plant and stock on hand and the accounts of any small-scale industry or cottage industry for which State aid has been granted ;

(vii) the mode of keeping and auditing the accounts and of furnishing returns of any small-scale industry or cottage industry in respect of which State aid has been granted ;

(viii) prescribing the methods of control of a small-scale industry or cottage industry in respect of which State aid has been granted ;

(ix) the application of profits in cases in which the conditions under which loans or grants have been made have not been fulfilled ;

(x) the guaranteeing by the State Government of cash credits, overdrafts or fixed advances by banks and recognition of banks for this purpose ;

(xi) the fixing of the period for the repayment of loans and the conditions and dates of the repayment of subsidies and grants ;

(xii) the recovery of any moneys due under this Act :

Provided that such rules shall take effect and have the force of law from the date of their publication in the official Gazette :

Provided further that such rules shall be laid on the table of the Hyderabad Legislative Assembly and may be amended by a resolution passed within one month from the date of notification or, if the Assembly is not sitting on such date within one month from the date of its next meeting.

Savings.

24. Nothing in this Act shall be deemed to apply to any industry declared to be a scheduled industry under the Industries (Development and Regulations) Act, LXV of 1951 (Central Act LXV of 1951) or to affect any of the provisions of the said Act.

Repeal of Hyderabad Ordinance I of 1956.

25. (1) The Hyderabad State Aid to (Small-Scale and Cottage) Industries Ordinance 1956 (I of 1956) is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken in the exercise of any power conferred by or under the said Ordinance shall be deemed to have been done or taken in the exercise of the powers conferred by or under this Act as if this Act were in force on the day on which such thing was done or action was taken.

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